

# PAPERS READ

BEFORE THE

# LANCASTER COUNTY HISTORICAL SOCIETY

MAY 13, 1910.

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*"History herself, as seen in her own workshop."*

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OUR EARLY CURRENCY AND ITS VALUE

MINUTES OF MAY MEETING.

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By F. R. DIFFENDERFFER, LITT.D.

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## OUR EARLY CURRENCY AND ITS VALUE

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The scarcity of a sufficient circulating medium to meet the needs of trade and the actual necessities of existing conditions through war or otherwise have been the two main reasons why so many civilized countries have at various times resorted to the issue of paper money. Gold and silver have always been costly, and, therefore, have seldom been made the medium of the general money circulation of most countries in recent times. On the other hand, "paper money," so called, is not only to be procured very cheaply, but in any amounts that may be needed. Paper, ink and a printing press, together, with a legal enactment by some competent authority, is all that is required, and, presto, millions of this so-called money are in a few days or weeks available to meet all pressing or other needs.

In this country, paper currency has been resorted to for a period of more than two hundred years; the usual expenditures caused by war or by the scarcity of the precious metals led all of the American Colonies and Provinces to resort to this method of procuring money which could not be obtained in any other way.

The war which broke out between France and Great Britain in 1689 naturally extended to the colonies of those two nations on the American continent, and the French north of

the St. Lawrence and the English to the south of that great river soon became involved in hostilities. The French enlisted the Indians in their cause, and began to make inroads into the English border colonies. The result was that the English colonies were in self-defense compelled to make preparation for defense and offense, and the conquest of Canada was undertaken both by land and sea. Massachusetts sent out a fleet of thirty-four ships to capture Montreal. It failed utterly, and the expedition returned defeated and disheartened.

To fit out that fleet had cost much money. Upon its return it found the Colonial treasury empty. The Colonial Assembly, "considering," as it declared, "the present poverty of the country, and through scarcity of money the want of an adequate measure of commerce," proceeded to authorize the issue of bills of credit, in the shape of notes in denominations of from five shillings to five pounds, "to be equal to money and accepted in all public payments." Public confidence in this money was not overstrong, and, as the issue was continued from time to time, they were eventually made a legal tender.

Spain, the ally of France, owned the peninsula of Florida, so South Carolina sent an expedition to capture that desirable colony. It was defeated and then South Carolina, like Massachusetts, found herself without money and deeply in debt. Of course, she followed the example of the latter, at the same time pleading the precedent of "great and rich countries," and assured that "funds of credit" or paper currency "have fully answered the ends of money and given the people a quick circulation of their trade and cash," issued paper currency to the extent of six thousand pounds.

Massachusetts and South Carolina were the initial colonies in the United States to introduce the use of a paper currency without a metallic reserve to sustain it, and the others were not slow, on one pretext or another, to follow their example.

New nations, like new settlements, are always in need of credit. That was the case with the colonies. They were rich in undeveloped resources, and continually in debt to the mother country. The little specie they received from foreign nations was sent away to pay Great Britain for what they had bought from her, and not enough was left for the ordinary transaction of business. The maxim prevailed throughout all of them "that it was the duty of government to provide a currency for commerce and trade, and, as the impossibility of maintaining a metallic currency, in a state of colonial dependence, seemed to be an accepted maxim, it led to practice and perilous use of paper money."

Concerning the situation, perhaps the first of our historians describes the situation as follows: "The provinces were invited to manufacture bills of credit. The credit of the colonies was involved in behalf of borrowers. The first emissions of provincial paper had their origin in the immediate necessities of government. In times of peace, provinces which had an empty treasury issued bills of credit, redeemable at a remote day, and put in circulation, by means of loans to citizens, at a low rate of interest on the mortgage of lands. The bills, in themselves almost worthless from the remoteness of the date of payment, were made a lawful tender.....The first effects of their unreal enlargement of the currency appeared beneficial, and men rejoiced

in the seeming impulse given to trade. It was presently found that that specie was repelled from the country by the system; that the paper furnished but a depreciated currency, fluctuating in value with every new emission, and finally commerce was corrupted in its sources by the uncertainties attending the expression of value in every contract.

"Uncertainty rapidly pervaded the country; in 1738 the New England currency was worth one hundred for five hundred; that of New York, New Jersey, Pennsylvania and Maryland, one hundred for one hundred and sixty or seventy, or two hundred; of South Carolina, one for eight; while of North Carolina, the paper was in London esteemed worth but one for fourteen, in the colony but one for ten."

This condition of things finally became so annoying that the home Government was compelled to take some remedial action. The scarcity of money called for measures that would bring about the desired relief. A little book published by Noah Webster, the lexicographer, in 1815, tells us of the course pursued toward that end. He says: "But the scarcity of money finally called for a remedy, and some of the colonies attempted to remove the difficulty by passing laws to raise the nominal value of foreign coins. This occasioned a royal proclamation in the sixth year of Queen Anne, 1708, which fixed the current nominal value of coins in the colonies at one-fourth above the nominal value of sterling money, so that a dollar, which was four shillings and sixpence, sterling, passed for six shillings. In New England and Virginia this became and still remains (1815) the current denomination. But in some of the col-

onies the depreciation of their paper currency, the scarcity of money, and the current rate of exchange between paper and specie raised the nominal value of gold and silver still higher. In New Jersey, Pennsylvania and Maryland the value of the dollar was established at and continues (in 1815) at seven shillings and six pence; in New York and North Carolina at eight shillings. In South Carolina and Georgia it rose only to four and eight pence, or two pence in the dollar above the sterling value."

The needs of the colonies for money induced them to go largely into the paper money business. In 1723 Governor Keith, of Pennsylvania, consented to the popular wish and gave his consent to the experiment of issuing £15,000 of paper money, to be loaned out to the people on real estate at 5 per cent. interest, one-eighth of the principal to be paid annually. Loan offices were established in each county. The smallest loan was for £10 10s, and the largest for £100. That was in 1722. The scheme was so popular that in 1723 £30,000 more were issued on the same plan. In 1730 the time for recalling these issues expired, but the loans could not be called in, so, to make a bad matter worse, the total sum was raised to £75,000. It was not done away with until fifty years later, when the amount was funded by the State instead of being redeemed.

During the Revolutionary era another cause came in to discredit this paper money. The Federal Government was even harder pressed for money than the colonies had been, and the result was it, too, began to issue paper money, only in vastly greater amounts—millions where the

colonies had issued only thousands. The two issues came into conflict. The colonies had become States, and were represented by tangible governments, which could be held responsible, whereas the Federal Government was of a very uncertain success or future stability. The State money was, therefore, the better of the two, and possessed some value to the last, while the Federal issues became absolutely worthless.

In 1781 taxes in Pennsylvania were levied in two kinds of money, gold and silver and paper or State money; that is, part of the tax had to be paid with the former and part could be paid with the latter. The instructions issued to the tax collectors ran as follows: "And, further, you are to take Notice that all Persons who have taken the Oath or Affirmation of Allegiance to this State have a right to pay the one-half of the Tax called the Hard money tax, in State money emitted in pursuance of an Act passed the Seventh Day of April, 1787, for which Purpose the Persons who have taken said Oath are placed separately. But the Paper Money Tax may be received in any sort of State money."

To go back, however, to the Act passed in 1704, the Queen's decree making the Spanish pillar dollar as the standard, with its several units, fixed the price at which it should be received and paid out in the several colonies of America. That dollar now, as then, is composed of eight minor parts, called "reals," and that fact leads it to be denominated in the language of those times as "pieces of eight," eight smaller coins of  $12\frac{1}{2}$  cents each. A real, a coin of two reals and one of four reals, is shown this evening. The two and four real pieces correspond with our quarter and half-

dollar, but are intrinsically worth a little more. The smaller coin, the real, was known to our fathers as the "levy or eleven-penny-bit;" in the South it was always called the "bit," and, perhaps, still is. The only objection to the circulation of these coins in Pennsylvania was that from long and continuous use they became much worn and abraded until they lost a third or more of their intrinsic value, and because they could not be redeemed at par. Up to 1825, or later, they were the chief silver currency of our people.

The State £., S. and d., however, was the money in which much of the business continued to be done. As late as 1835, or later, that system of money accounts prevailed in Pennsylvania, and even longer. The first arithmetic used by the writer of this article had all its problems and calculations in that kind of money. The arithmetic was Pike's, I believe.

As the value of the pound and shilling varied so much in the several Colonies and States, tables were prepared by means of which the value of these denominations relative to each other could easily be calculated. Such a table seems a curiosity now, but was very much needed one hundred years ago.

As there was a very general circulation of this provincial currency throughout the country, tables were necessary to enable merchants and others who handled the money to convert the several kinds one into the other; and to determine the exact value of each in decimal money when the latter began to take the place of the former. Here is a table giving the value of the shillings and pence of the different States in cents and fractions of cents:

South Carolina and Georgia; cents.....				
New Jersey, Pennsylvania, Delaware and Maryland; cents.....				
New York and North Carolina; cents.....				
New England States, Virginia and Kentucky; cents.....				
Shillings and Pence.....				

0. 1.	1.38	1.04	1.11	1.78
1. 0.	16.66	12.50	13.31	21.42
5. 0.	83.33	62.50	66.66	
7. 6.		93.75	100.00	
f. 1	\$3.33	\$2.50	\$2.66 66	\$4.28

The value of the United States dollar in the different currencies was as follows:

\$1.	s. 6.	d. 0.	s. 8.	d. 0.	s. 7.	d. 6.	s. 4.	d. 8.

Rules for reducing the currency of the different States into each other:

To reduce the currency of the New England States and Virginia into that of New York and North Carolina, to the given sum add one-third part thereof.

Of Pennsylvania, New Jersey, Delaware and Maryland, to the given sum add one-fourth.

Of South Carolina and Georgia, from the given sum subtract two-ninths.

To reduce New York and North Carolina into New England and Virginia, from the sum deduct one-fourth thereof.

Into Pennsylvania, New Jersey, Delaware and Maryland, from the sum given deduct one-sixteenth thereof.

Into South Carolina and Georgia, to the sum given add one-sixth, and then take one-half of the whole.

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To reduce Pennsylvania, New Jersey, Delaware and Maryland into New England and Virginia, from the sum given deduct one-fifth thereof.

Into New York and North Carolina, to the sum given add one-fifteenth part.

Into South Carolina and Georgia, multiply by 3 1-9 the sum, and divide the product by 5, or multiply by 28 and divide by 45.

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To reduce South Carolina and Georgia currency into Massachusetts, Rhode Island, Connecticut and Virginia, to the given sum add two-sevenths thereof.

Into Pennsylvania, New Jersey, Delaware and Maryland, multiply the given sum by 45 and divide by 28.

Into New York and North Carolina, from the given sum subtract one-seventh and double the remainder.

A more cumbersome and perplexing monetary system than the above can hardly be imagined. The wonder is that it should have been tolerated until well on in the nineteenth century.

## MINUTES OF MAY MEETING

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Lancaster, Pa., May 13.

The regular monthly meeting of the Lancaster County Historical Society was held this evening in the society's room. There was a fair attendance of the members. President Steinman presided.

Librarian Steigerwalt reported the following donations:

The Pennsylvania Magazine of History for April, 1910, from the Historical Society of Pennsylvania; Transactions of the Historical Society of Berks county for 1909; The Pennsylvania-German for May, 1910; Birds of New York, from the New York State Educational Department, an elegant large volume, with many colored plates. By purchase—History of York County, by George R. Prowell; two large volumes; copy of Chinese Daily News, January 16, 1857, per Emma R. Hastings; several copies of the Millersville Herald, per D. B. Landis; A Sextette of Lancaster Sonnets, by Mrs. Mary N. Robinson; series of six volumes of the Colonial Period, published by the Lowle Manufacturing Company, donated by A. K. Hostetter.

The following new members were elected: Rev. Elias Boudinot Stockton, of West Orange, N. J.; Mrs. Horace Binney Pearson, of Philadelphia, and Miss Alice Grey Elmer, Miss Elizabeth J. D. Lant and George W. Kilian, of this city. The following applications were received: Prof. C. N. Heller, this city; Mrs. Irving A. Heikes, of New York; Miss Elizabeth E. Ell-

maker, Mr. Jacob B. Missemmer, D. W. Noll and Samuel L. Hartman, of this city.

On motion, the vacancy in the Executive Committee was filled by the unanimous election of Mrs. M. N. Robinson.

A motion was adopted to reimburse D. H. Landis for the payment of cuts used in illustrating the paper on the Susquehannock Fort.

The question of the annual outing was brought up, and, on motion, the following committee was appointed to make the necessary arrangements: A. K. Hosteter, L. B. Herr, D. B. Landis, John L. Summy, Miss Martha B. Clark and Miss Alice Grey Elmer.

Following the business session Mr. H. Frank Eshleman read a paper on Judge John Wright, who was the chief presiding magistrate of the justices courts of Lancaster county for many years.





